



ALABAMA'S PREPAID AFFORDABLE COLLEGE TUITION PROGRAM

**ANNUAL ACTUARIAL VALUATION
SEPTEMBER 30, 2009**

Prepared by
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November 2, 2009

Board of Trustees
Alabama's Prepaid Affordable College Tuition Trust Fund
State Treasurer's Office
600 Dexter Avenue, Suite S-106
Montgomery, Alabama 36104

Ladies and Gentlemen:

We have completed our actuarial analysis of Alabama's Prepaid Affordable College Tuition Trust Fund ("the Fund") as of September 30, 2009. This report presents our findings with respect to the Fund's expected cash flows and the status of the Fund.

This analysis of the funding of the Fund was prepared for the Board in accordance with generally accepted actuarial principles and practices commonly applicable to similar types of arrangements.

The purpose of our actuarial analysis is to provide a long-term view of the Fund's assets and liabilities. Because the Fund undertakes liabilities that in some cases will not be paid out until over 20 years in the future, such a long-term analysis is critical to the proper management of the Fund.

As of September 30, 2009, the expected value of all liabilities is \$916,849,385 and the value of assets including future revenue is \$571,183,288, resulting in an actuarial deficit of \$345,666,097. Liabilities are 62.3% funded.

In reviewing these results, you should be aware that, unlike prior years, **results are based on preliminary data rather than audited data**. Audited data was not available at the time this report was prepared. In prior years there have been significant differences between preliminary data and audited data. These differences typically have been that the audited data is on a gross basis, while preliminary data is on a net basis; however, we can provide no assurances that this will be the case for September 30, 2009.

We further caution you in interpreting these results to keep in mind that this deficit is an actuarial deficit. Our projections are based on a number of uncertain assumptions, including the future course of tuition increases in Alabama and returns on the Fund's assets. Actual events may vary significantly from our projections – either better or worse than our projections. These variances may result in material changes to future actuarial analyses. Nevertheless, **the current deficit is severe**, and the Board must take immediate, significant and material remedial action to ensure that all PACT beneficiaries receive their benefits.

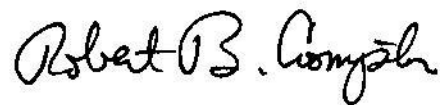
The actuarial status will change from year to year due to positive and negative cash flows and due to the change in the present value of future contract usage caused by the passage of time. The actuarial status will also change due to the variance of experience from the assumptions. These variances include tuition increases, investment income, and timing of benefit payments.

A more complete understanding of this “point-in-time” approach can be gained by reviewing prior years’ actuarial reports and analyzing how the surplus and deficit amounts have changed over time. In addition, this report should be read in its entirety so that our projections can be properly interpreted.

* * * * *

We appreciate the opportunity to serve the Alabama Prepaid Affordable College Program.

Very truly yours,

A handwritten signature in black ink that reads "Robert B. Crompton". The signature is written in a cursive, flowing style.

Robert B. Crompton, FSA, MAAA

TABLE OF CONTENTS

<i>REPORT SECTION</i>	<i>PAGE</i>
Cover Letter to the Board	
I. Executive Summary	
Status of the Fund	1
Key Assumptions	1
Summary Balance Sheet	2
II. Reliances & Compliance With Actuarial Standards of Practice	3
III. Summary of Participant Data and Invested Assets	
Summary of Contract Data	4
Summary of Invested Assets	5
IV. Actuarial Methods And Assumptions	
Actuarial Methods	6
Assumptions	7
V. Changes in Actuarial Assumptions For 2009	11
VI. Status of the Fund as of September 30, 2009	12
VII. Expected Use of Funds	14
VIII. Sensitivity Testing	15
IX. Break-Even Rates	16
X. Stochastic Analysis	17
Appendix A: Development of Weighted Average Tuition	
Tuition & Fees for 4-Year Schools.....	A-1
Enrollment for 4-Year Schools.....	A-2
Tuition & Fees for 2-Year Schools.....	A-3
Enrollment for 2-Year Schools.....	A-4
Appendix B: Payment By School for Academic Year 2007/08	
Alabama Public Four-Year Schools	B-1
Alabama Public Two-Year Schools	B-2
Alabama Public Technical Schools	B-3
Summary - All Schools	B-4
Appendix C: Resume of Supervising Actuary	C-1

I. EXECUTIVE SUMMARY

The following are the key findings of our analysis.

Status of the Fund

As of September 30, 2009, the Fund's liabilities exceed its assets by \$345,666,097.

Item	Value as of September 30, 2009
Total Assets	\$571,183,288
Total Liabilities	\$916,849,385
Actuarial Deficit	(\$345,666,097)
Funding Ratio	62.3%

Key economic assumptions are listed below.

Key Assumptions	
Yield on Investments	
All years	8.55%
Tuition Inflation	
2-Year colleges	7.45%
4-Year colleges & universities	7.45%

The assumption for investment returns is based on the recommendation of the Fund's investment consultant, Callan Associates, Inc. The tuition inflation assumptions are based on a combination of statistical models of tuition increases and on actuarial judgment. Our statistical models also use information from the past 20 years. The rates shown in the table above represent our long-term average estimate of tuition inflation

Please see the *Actuarial Methods and Assumptions* section on page 6 for a more detailed discussion of these items.

A summary balance sheet as of September 30, 2009 is shown in the table below.

Value as of September 30, 2009		Assets and Liabilities
Assets		
Short term assets		\$5,624,522
Fixed Income Securities		143,767,789
Equities		
Domestic	272,687,687	
International	<u>104,052,498</u>	
Total Equities		376,740,185
Total Short-term & Invested Assets		526,132,496
Actuarial Value of Future Contract Revenue		
Gross	45,856,956	
Less Administrative Fees	<u>806,164</u>	
Net Contract Revenues		<u>45,050,792</u>
Total Assets		<u>\$571,183,288</u>
Liabilities and Deficit		
Actuarial Value of Future Benefits		\$916,849,385
Actuarial Deficit		<u>(345,666,097)</u>
Total Liabilities and Deficit		<u>\$571,183,288</u>

II. RELIANCES & COMPLIANCE WITH ACTUARIAL STANDARDS OF PRACTICE

In making the projections on which this report is based, we relied on the following information as indicated below.

- Weighted Average Tuition at Alabama colleges and universities, including headcounts as of September 30, 2007, supplied by the Alabama Commission on Higher Education.
- Market value of assets of the Trust Fund, supplied by the Fund's investment consultant, Callan Associates, Inc.
- Actual inventory of contracts by category, enrollment period, payment method and anticipated matriculation year, supplied by the PACT records administrator, HealthData, Inc.
- Information regarding likely future investment returns on the Trust Fund, supplied by the Fund's investment consultant, Callan Associates, Inc.
- Assumptions regarding the Fund's anticipated asset allocation are derived from the Fund's Investment Policy Statement.

There are no actuarial standards of practice that apply specifically to prepaid tuition plans. However, there are two general standards that we believe apply:

- Actuarial Standard of Practice #23 "Data Quality". This standard sets guidelines on review of data supplied by a third-party. We have performed reasonableness and consistency checks on the data supplied to us by the records administrator, and are in compliance with this standard. Our review of the data was not an audit of the data.
- Actuarial Standard of Practice #41 "Actuarial Communications". This standard sets general guidelines for actuarial communications. This report is in compliance with this standard.

III. SUMMARY OF PARTICIPANT DATA AND INVESTED ASSETS

Contract Data

Data on the number of outstanding contracts and payments was provided by the Fund's records administrator, HealthData, Inc. The tables below summarize the data provided concerning this.

Distribution of Active Contracts by Projected First Year in College			
Projected Year of College Enrollment	Number of Contracts	Projected Year of College Enrollment	Number of Contracts
Prior to 2000	6	2014	2,254
2000	585	2015	2,115
2001	724	2016	1,871
2002	834	2017	1,706
2003	1,041	2018	1,609
2004	1,381	2019	1,421
2005	2,388	2020	1,123
2006	3,035	2021	948
2007	3,131	2022	612
2008	3,236	2023	464
2009	3,054	2024	399
2010	2,835	2025	300
2011	2,837	2026	191
2012	2,803	2027	43
2013	2,596		
Total Contracts			45,542

Distribution of Contracts by Year of Purchase			
Year of Purchase	Number of Contracts	Year of Purchase	Number of Contracts
1990	14,582	2000	2,979
1991	7,084	2001	3,792
1992	6,485	2002	3,730
1993	5,228	2003	2,258
1994	4,807	2004	1,605
1995	4,772	2005	1,192
1998	4,332	2006	1,277
1997	3,597	2007	1,320
1998	3,419	2008	1,261
1999	2,531		
Total Contracts			76,251

Assets

Fund Assets

The total market value of assets held (exclusive of contract receivables) as of September 30, 2009 is \$526,132,496. The allocation of these assets is shown in the table below.

Market value of assets held as of September 30, 2009		
	<u>Amount</u>	<u>% Of Total</u>
Short-term Assets	5,624,522	1.1%
Fixed Income	143,767,789	27.3%
Equities	376,740,185	71.6%
TOTAL	<u>\$526,132,496</u>	<u>100.0%</u>

Investment Strategy

The Fund's Investment Policy states, "A strategic asset allocation has been established based on the principle that individual asset classes can be combined to optimize the objectives of the Fund. The goal of this strategic asset allocation is a Fund that is efficient, well diversified, and manageable over the long term. The benefits of this diversification are reduced risk and improved investment return." The Fund's asset allocation has a target allocation by asset category as follows:

- U.S. Stocks 47%
- Non-U.S. Stocks 20%
- Fixed Income 23%
- Real Estate 10%

IV. ACTUARIAL METHODS AND ASSUMPTIONS

Methods

The actuarial method for the determination of the status of the Fund consists of projecting future tuition rates and future utilization of these contracts. The value of future benefits and revenues are determined using the time value of money.

For the projection of future benefits, the analysis proceeds as follows:

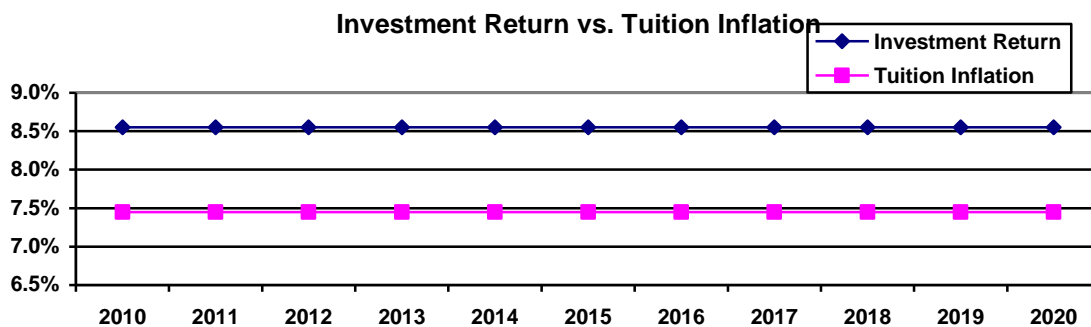
- Project future tuition rates for all years under consideration. Future tuition is based on the assumptions for tuition inflation.
- Determine the nominal cost of future use of contract benefits based on the assumptions regarding utilization of contracts and the length of time the average beneficiary will take to complete his college education.
- Determine the present value of future contract usage based on the investment yield assumptions.
- Perform projections for all of the Fund's beneficiaries to determine the status of the Fund.

Assumptions

Actuarial assumptions used to determine financial status of the Fund are of two general types: economic and demographic. Demographic assumptions determine the expected exposure to financial claims and generally answer the question “How and when will people use their contract?” Economic assumptions are concerned with the expected level of contract usage and answer the question “What is the expected value of contract usage?” The assumptions that we used were those that were approved by the PACT Board in consultation with Actuarial Resources Corporation.

Economic Assumptions

Economic assumptions are used to estimate the annual tuition rates at two and four-year colleges and Fund earnings on assets invested. The single most important indicator of the financial viability of the Fund is the relationship between projected investment returns and the projected tuition increases. The chart below shows the relationship over time of the investment return rates versus the tuition rates.



The following paragraphs describe the economic assumptions used in this study.

Annual Tuition Rates

Our assumptions for tuition were guided by our observations of historic increases, trends in appropriations for higher education and by statistical modeling. Our assumptions are shown below.

Tuition Inflation	
2-Year colleges	7.45%
4-Year colleges & universities	7.45%

We note that for 2-Year Colleges, tuition and fees are set by the Alabama State Board of Education, acting as the trustee for Alabama’s 2-year colleges. For 4-Year Colleges & Universities, tuition and fees are determined independently by each institution’s Board of Trustees.

Tuition Bias Toward Higher Cost Institutions

The Weighted Average Tuition ("WAT") is used to determine projected tuition payouts. Because purchasers have the opportunity to use the benefits at a school with tuition higher than the WAT, we have included an adjustment factor in our projections to account for this.

Bias Toward Higher Cost Institutions Factors	
Four-year universities	14.0%
Two-year colleges	2.0%

Fund Earnings Rate

Our assumption for investment returns is based on information supplied to us by the Fund's investment consultant, Callan Associates, Inc. Callan has informed us that their best estimate of likely returns over the next five years is 8.55%.

Investment Returns	
All years	8.55%

These returns are net after investment expenses.

Annual Expenses

As in prior years, we assume that all of the Fund's expenses are paid from the administrative fees assessed on contracts. Beginning in 2006, investment income is transferred to the Administrative Account for current liquidity needs including tuition benefits and expenses.

Demographic Assumptions

The demographic assumptions used in this report are based on our experience with similar types of liabilities. Our choice of assumptions is based on recent experience, historical data of the Fund and our best estimates as to future events. These assumptions are as follows:

Contract Terminations Due To Mortality and Disability

We assumed no contract terminations due to death or disability.

Other Contract Cancellations

We assumed that contracts would cancel according to the table below.

Contract Cancellation Table			
Type of Payment=>	Lump Sum	60 Monthly Payments	Extended Monthly Payments
Year of purchase	0.50%	5.00%	6.00%
Year of purchase+1	0.50%	2.00%	5.00%
Year of purchase+2	0.50%	1.00%	4.00%
Year of purchase+3	0.50%	1.00%	4.00%
Year of purchase+4	0.50%	1.00%	3.00%
Thereafter	0.50%	1.00%	2.00%

Utilization of Benefits

We assume that beneficiaries will enroll in college at the date indicated as their anticipated college entrance date.

For 4-year contracts, we assume that the average beneficiary will use 128 credit hours and 8 semester fee payments according to the following table. For 1-year contracts, we assume that the average beneficiary will use 32 credit hours and 2 semester fee payments. These assumptions are based on the Fund's experience to date for beneficiaries who have completed their contract usage either through graduation, depletion or expiration.

4-Year Contracts			1-Year Contracts	
Timing	Credit Hours	Fee Usage	Credit Hours	Fee Usage
Year 1	30	2 semesters	32	2 semesters
Year 2	30	2 semesters	Nil	Nil
Year 3	30	2 semesters	Nil	Nil
Year 4	30	2 semesters	Nil	Nil
Year 5	8	Nil	Nil	Nil

For contracts that are past the projected completion date, we assumed that their remaining benefits would be paid over four years with remaining credits spread equally over each year. For contracts that are past their anticipated entrance date, but not yet past their projected completion date, we assumed that their remaining benefits would be paid over the remaining period until their projected completion date.

Within an academic year, contract usage is assumed to be 45% for the fall semester, paid November 1, 45% for the spring semester, paid March 1 and 10% for the summer semester, paid August 1.

Two-Year College Participation

For 4-year contracts, we assumed that during the course of benefit usage, 10% of beneficiaries would attend two-year colleges. Projected benefit payments reflect the mix of two-year and four-year tuition costs.

For 1-year contracts, we assumed no benefits would be used at two-year colleges.

V. CHANGES IN ACTUARIAL ASSUMPTIONS FOR 2009

We made two changes to the assumptions used in projecting the status of the Fund. These changes cause the actuarial deficit to be smaller than it would have been without these changes. These changes are discussed below. These assumption changes that we made were those that were approved by the PACT Board in consultation with Actuarial Resources Corporation.

Changes in Investment Returns

We updated the assumption for investment returns based on the recommendation of the Fund's investment consultant. Current and prior assumptions are shown below.

Current Assumption	Prior Assumption
8.55% for all years	8.02% for all years

Change in Tuition Inflation

We revised the assumptions to better reflect anticipated experience of the Fund.

Current Assumption	Prior Assumption
7.45% Annually	7.25% Annually

Dollar Effect of Change in Assumptions

The effect of these changes is as follows:

•Investment returns:	\$ 24,613,174 decrease to deficit
•Tuition Inflation :	\$ 8,850,644 increase to deficit
•Aggregate change:	\$ 15,762,530 decrease to deficit

If assumptions had been the same as last year, the Program's deficit would have been:

(\$361,428,627)

VI. STATUS OF THE FUND AS OF SEPTEMBER 30, 2009

In determining the status of the Fund, we estimated the future disbursements for higher education expenses of beneficiaries and refunds for terminated contracts. We also projected the future assets based on current assets and expected earnings on assets. We believe these estimates are reasonable based on the information available and our past experience and judgment.

The estimates of the prospective assets and liabilities of the Fund are summarized in the table on the following page and demonstrate the financial position of the Fund. The value of all assets including future contract payments is \$571,183,288 while the expected value of all liabilities is \$916,849,385. The resulting actuarial deficit is \$345,666,097.

The actuarial status will change from year to year due to positive and negative cash flows and due to the change in the present value of future contract usage and expense payments because of the passage of time. The actuarial status will also change due to the variance of experience from the assumptions. These variances include tuition increases, investment income, and expenses.

Finally, the status will also change due to the growth of the program and due to updates to assumptions reflecting the Fund's emerging experience. The changes for the year ending September 30, 2009 are summarized in the table below.

Annual Change of Status	
Status at September 30, 2008	(\$306,246,491)
Projected Change to September 30, 2009	(24,560,969)
Effect of New Contracts	2,766,428
Gain from Favorable Tuition Inflation	3,165,842
Loss due to Unfavorable Investment Experience	(35,616,940)
Change in Assumptions	15,762,530
Other	<u>(939,497)</u>
Actuarial deficit at September 30, 2009 ¹	<u><u>(\$345,666,097)</u></u>

¹ Based on assumptions described above. Assumptions will change over time as experience becomes more credible.

The table below presents the Fund's projected assets, projected cash flows, projected investment income and projected funded status. These projections are as-of September 30, 2009, and are based on the contracts in place at that time. The effects of future contract sales are not included.

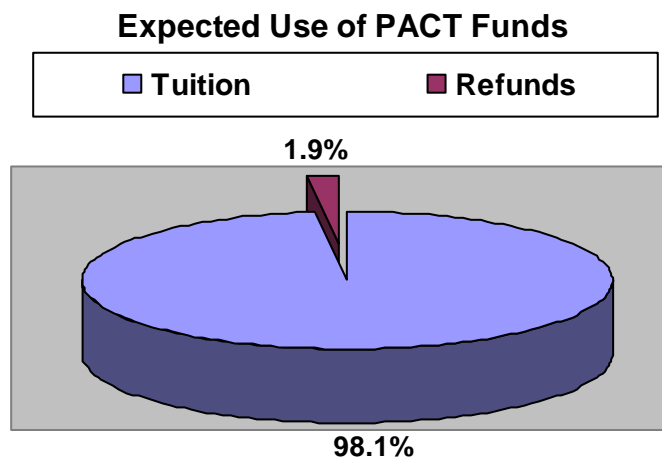
Fiscal Year Ending	Payments Into Trust Fund	Payments Out of Trust Fund	Investment Income	End of Year Assets Held	Assets Held Plus Contract Revenue	End Of Year Liabilities	Funded Ratio
2009				526,132,496	571,183,288	916,849,385	62.3%
2010	16,519,982	131,570,155	37,881,994	448,964,317	480,463,904	855,684,453	56.1%
2011	9,017,169	119,464,262	31,726,033	370,243,257	394,996,913	802,298,819	49.2%
2012	7,326,907	100,496,033	26,040,330	303,114,461	322,308,009	764,434,227	42.2%
2013	5,659,894	101,393,430	20,160,462	227,541,387	242,444,304	722,372,314	33.6%
2014	4,112,315	102,976,740	13,535,895	142,212,857	154,077,856	675,039,711	22.8%
2015	3,321,251	103,226,848	6,178,320	48,485,581	57,887,399	623,391,492	9.3%
2016	2,794,150	102,479,912	(1,828,154)	(53,028,335)	(45,748,786)	568,105,907	- 8.1%
2017	2,291,130	99,035,683	(10,340,910)	(160,113,799)	(154,611,720)	511,727,550	- 30.2%
2018	1,835,705	94,705,442	(19,265,854)	(272,249,389)	(268,199,951)	455,111,326	- 58.9%
2019	1,455,912	91,909,443	(28,701,283)	(391,404,204)	(388,534,124)	396,620,267	- 98.0%
2020	1,130,528	88,149,164	(38,689,504)	(517,112,344)	(515,181,467)	337,103,625	- 152.8%
2021	847,604	82,960,241	(49,141,223)	(648,366,204)	(647,159,255)	277,996,212	- 232.8%
2022	582,291	76,895,045	(60,021,652)	(784,700,610)	(784,001,114)	220,255,146	- 356.0%
2023	382,583	66,584,578	(71,085,732)	(921,988,337)	(921,630,824)	168,489,346	- 547.0%
2024	228,597	54,711,404	(82,131,725)	(1,058,602,869)	(1,058,455,038)	124,870,406	- 847.6%
2025	112,947	44,421,462	(93,199,144)	(1,196,110,529)	(1,196,069,100)	88,430,669	-1,352.6%
2026	38,338	34,541,039	(104,371,477)	(1,334,984,707)	(1,334,980,268)	59,344,232	-2,249.6%
2027	4,524	26,812,601	(115,767,835)	(1,477,560,620)	(1,477,560,620)	35,978,625	-4,106.8%
2028	- 0 -	19,148,994	(127,497,937)	(1,624,207,551)	(1,624,207,551)	18,739,299	-8,667.4%
2029	- 0 -	11,854,225	(139,604,505)	(1,775,666,282)	(1,775,666,282)	7,752,524	-22,904.4%
2030	- 0 -	6,010,802	(152,201,683)	(1,933,878,766)	(1,933,878,766)	2,022,347	-95,625.5%
2031	- 0 -	1,841,975	(165,474,301)	(2,101,195,042)	(2,101,195,042)	225,616	-931,314.7%
2032	- 0 -	227,164	(179,669,919)	(2,281,092,125)	(2,281,092,125)	- 0 -	

VII. EXPECTED USE OF FUNDS

The Fund, which is comprised of contributions, fees and all investment earnings, is expected to pay benefits in the following proportions:

- Tuition payments – 98.1%
- Payments of refunds to contract owners – 1.9%

These results are shown graphically below.



VIII. SENSITIVITY TESTING

We believe that when there is a significant amount of uncertainty about conditions prevailing in the future it is important to test the status of the Fund under other possible assumptions. In particular, we note that our assumptions are not certain due to the volatility of historic results and anticipated future results. Our assumptions were selected to represent our best judgment regarding the future, combined with some conservatism.

The tests given below are not intended to be representative of likely differences between actual events and assumptions; rather they are intended to demonstrate the extent of changes in the Fund's status for a given difference between actual and projected events.

We investigated the effect of variances in inflation, variances in investment yield, variance in bias toward higher-cost institutions and variance in expenses from those anticipated by the reported assumptions. For these projections, we assumed no future contract sales. These scenarios are described below.

- 1) Tuition inflation lower than baseline assumptions by 0.25% every year.
- 2) Tuition inflation higher than baseline assumptions by 0.25% every year.
- 3) Investment yields higher than baseline assumptions by 0.25% every year.
- 4) Investment yields lower than baseline assumptions by 0.25% every year.
- 5) Tuition inflation higher and investment yields lower than baseline assumptions by 0.25% every year.

The deficit for each of these scenarios is shown below.

Sensitivity Testing Results		
Scenario	Actuarial Deficit	Change From Reported
1	(334,623,644)	\$11,042,453
2	(356,919,854)	(\$11,253,757)
3	(334,289,232)	\$11,376,865
4	(357,316,076)	(\$11,649,979)
5	(368,818,425)	(\$23,152,328)

IX. BREAK-EVEN RATES

Another way to characterize the existing deficit is to quantify the annual rate of investment income or the annual rate of tuition inflation that would produce break-even (that is, zero-deficit, zero-surplus). The investment break-even rate assumes that inflation remains at 7.45% in all years, while the tuition inflation break-even rate assumes that investment returns will be 8.55% for years.

Investment return break-even rate:	20.65%
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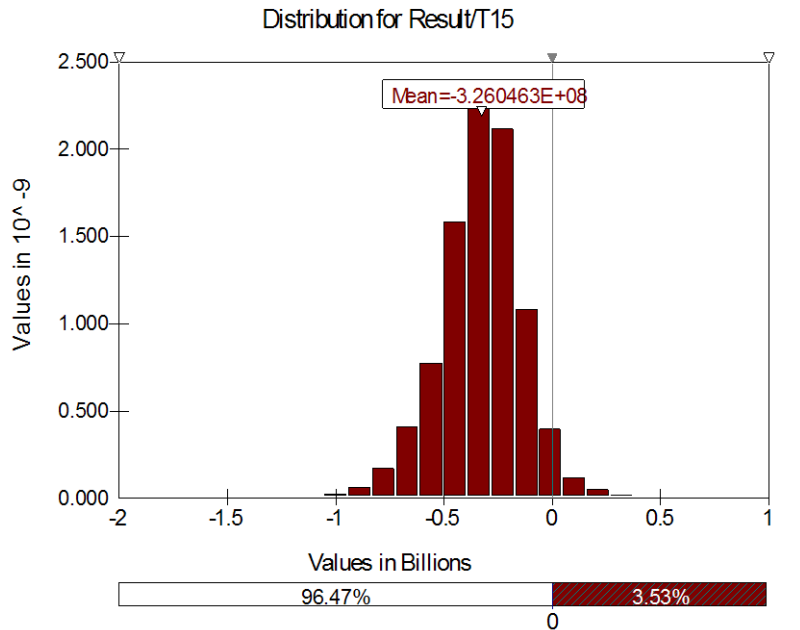
Tuition inflation break-even rate:	(3.93%)
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X. STOCHASTIC ANALYSIS

We have retained the same model for stochastic projections as we used last year. We have updated the beginning values to reflect 2009 actual results, but otherwise have left the same structure and parameters in place.

As in prior years, we ran 10,000 scenarios with varying tuition inflation and investment returns. The results are summarized in the table below.

Proportion with positive Actuarial Reserve	3.5%
25% of results are better than:	(203,389,584)
50% of results are better than:	(313,499,968)
75% of results are better than:	(435,178,176)
Largest Actuarial Reserve	600,270,592
Smallest Actuarial Reserve	(1,819,583,488)
Mean Actuarial Reserve	(326,046,340)



The most important measures from the table above are the Proportion with positive Actuarial Reserve and the 50% Results. The Proportion with positive Actuarial Reserve probability of 3.5% indicates that there is about 1/28 likelihood that the Program will have a surplus.

The 50% Results measure is a “best-estimate” measure of results. If our assumptions are neither conservative (that is they understate results) nor aggressive (that is they overstate results) then the 50% Results measure should be close to our projected result

of (\$345,666,097). The table above indicates that our assumptions are slightly conservative compared to historical norms.

The Smallest Actuarial Reserve indicates what happens if economic events continue adversely for the lifetime of the current contracts –high tuition increases, coupled with negative returns in the equity market until the end of the projection horizon. On the other hand, the Largest Actuarial Reserve indicates what happens if economic conditions are favorable for the remaining lifetime of the current contracts.

Appendix A – Development of Weighted Average Tuition for Four-Year Schools

Weighted Average Tuition 4-Year Schools – Tuition & Fees

	Annual Tuition & Required Fees @ 15 Hours per Semester								
	2005-06	Increase	2006-07	Increase	2007-08	Increase	2008-09	Increase	2009-10
Alabama A&M University	\$4,050	0.0%	\$4,050	11.9%	\$4,530	0.0%	\$4,530	15.3%	\$5,224
Alabama State University<1>	4,008	0.0%	4,008	12.5%	4,508	21.1%	5,460	0.0%	5,460
Athens State University<1>	3,870	0.0%	3,870	4.7%	4,050	0.0%	4,050	0.0%	4,050
Auburn University	5,278	4.1%	5,496	6.1%	5,836	11.4%	6,500	7.3%	6,972
Auburn University at Montgomery	4,620	2.6%	4,740	5.3%	4,990	11.4%	5,560	7.0%	5,950
Jacksonville State University	4,040	25.5%	5,070	0.0%	5,070	12.4%	5,700	9.4%	6,240
Troy State University<1>	4,104	0.0%	4,104	3.9%	4,264	31.0%	5,590	0.0%	5,590
University of Alabama	4,864	8.5%	5,278	8.0%	5,700	12.3%	6,400	9.4%	7,000
University of AL at Birmingham	4,324	0.0%	4,324	7.7%	4,658	11.6%	5,198	7.5%	5,588
University of AL at Huntsville	4,688	3.4%	4,848	7.6%	5,216	14.1%	5,952	9.2%	6,510
University of Montevallo	5,584	0.0%	5,584	7.4%	6,000	5.0%	6,300	5.7%	6,600
University of North Alabama	4,068	6.6%	4,338	9.3%	4,740	10.1%	5,220	8.0%	5,640
University of South Alabama	4,190	0.0%	4,190	7.4%	4,500	8.7%	4,890	9.2%	5,340
University of West Alabama	3,958	0.0%	3,958	6.8%	4,228	14.2%	4,830	9.5%	5,290
Totals:	\$4,514	4.2%	\$4,703	6.6%	\$5,015	13.0%	\$5,668	7.2%	\$6,076

<1> Alabama State University, Athens State University and Troy State University voluntarily froze tuition in 2009-10 for PACT students

**Weighted Average Tuition
4-Year Schools - Headcount**

	Resident Enrollment Headcount			Average 06 - 08	Percent Of Total
	Fall '06	Fall '07	Fall '08		
Alabama A&M University	3,908	3,661	3,507	3,692	3.3%
Alabama State University	3,935	3,980	3,890	3,935	3.5%
Athens State University	2,640	2,934	3,179	2,917.67	2.6%
Auburn University	15,514	15,663	15,676	15,617.67	14.0%
Auburn University at Montgomery	4,904	4,955	5,046	4,968.33	4.4%
Jacksonville State University	7,474	7,634	7,866	7,658	6.8%
Troy State University<1>	12,344	13,038	13,630	13,004	11.6%
University of Alabama	18,176	19,343	19,817	19,112	17.1%
University of AL at Birmingham	14,288	13,833	13,647	13,922.67	12.4%
University of AL at Huntsville	6,033	6,150	6,275	6,152.67	5.5%
University of Montevallo	2,766	2,746	2,858	2,790	2.5%
University of North Alabama	4,848	4,939	4,968	4,918.33	4.4%
University of South Alabama	10,178	10,482	10,628	10,429.33	9.3%
University of West Alabama	2,443	2,746	3,293	2,827.33	2.5%
Totals:	109,451	112,104	114,280	111,945	100.0%

**Weighted Average Tuition
2-Year Schools - Tuition & Fees**

	Annual Tuition & Required Fees @ 15 Hours per Semester								
	2005-06	Increase	2006-07	Increase	2007-08	Increase	2008-09	Increase	2009-10
Alabama Southern	\$2,700	0.0%	\$2,700	0.0%	\$2,700	0.0%	\$2,700	0.0%	\$2,700
Bevill	2,700	0.0%	2,700	0.0%	2,700	1.1%	2,730	0.0%	2,730
Bishop	2,700	0.0%	2,700	0.0%	2,700	0.0%	2,700	0.0%	2,700
Calhoun	2,850	0.0%	2,850	0.0%	2,850	0.0%	2,850	0.0%	2,850
Central Alabama	2,700	0.0%	2,700	0.0%	2,700	0.0%	2,700	0.0%	2,700
Chattahoochee	2,700	0.0%	2,700	0.0%	2,700	0.0%	2,700	0.0%	2,700
Drake	2,700	0.0%	2,700	0.0%	2,700	0.0%	2,700	0.0%	2,700
Enterprise	2,700	0.0%	2,700	0.0%	2,700	0.0%	2,700	0.0%	2,700
Faulkner	2,790	0.0%	2,790	0.0%	2,790	0.0%	2,790	0.0%	2,790
Gadsden	2,700	0.0%	2,700	0.0%	2,700	0.0%	2,700	0.0%	2,700
Jefferson Davis	2,700	0.0%	2,700	0.0%	2,700	0.0%	2,700	0.0%	2,700
Jefferson State	3,060	0.0%	3,060	0.0%	3,060	0.0%	3,060	0.0%	3,060
Lawson	2,700	0.0%	2,700	0.0%	2,700	11.1%	3,000	0.0%	3,000
L. B. Wallace	2,700	0.0%	2,700	0.0%	2,700	0.0%	2,700	0.0%	2,700
Marion Military Institute<1>			6,570	0.0%	6,570	0.0%	6,570	0.0%	6,570
Northeast	2,700	0.0%	2,700	5.6%	2,850	0.0%	2,850	0.0%	2,850
Northwest - Shoals	2,700	6.7%	2,880	0.0%	2,880	0.0%	2,880	0.0%	2,880
Reid	2,700	3.3%	2,790	0.0%	2,790	0.0%	2,790	0.0%	2,790
Shelton	2,700	0.0%	2,700	0.0%	2,700	0.0%	2,700	0.0%	2,700
Snead	2,820	0.0%	2,820	0.0%	2,820	0.0%	2,820	0.0%	2,820
Southern Union	2,700	0.0%	2,700	0.0%	2,700	0.0%	2,700	0.0%	2,700
Trenholm	2,700	0.0%	2,700	0.0%	2,700	0.0%	2,700	0.0%	2,700
Wallace Dothan	2,700	0.0%	2,700	0.0%	2,700	0.0%	2,700	0.0%	2,700
Wallace Hanceville	2,700	0.0%	2,700	0.0%	2,700	0.0%	2,700	0.0%	2,700
Wallace Selma	2,700	0.0%	2,700	0.0%	2,700	0.0%	2,700	0.0%	2,700
Totals:	\$2,743	0.8%	\$2,765	0.4%	\$2,776	0.8%	\$2,799	0.3%	\$2,809

<1> Marion Military Institute became a public school in 2006

**Weighted Average Tuition
2-Year Schools - Headcount**

	Full-Time Equivalency Headcount			Average 06 - 08	Percent Of Total
	Fall '06	Fall '07	Fall '08		
Alabama Southern	844	757	853	818	1.9%
Bevill	2,085	2,107	2,183	2,125	5.0%
Bishop	2,035	1,165	1,314	1,504.67	3.6%
Calhoun	3,509	3,778	4,263	3,850	9.1%
Central Alabama	1,317	1,304	1,319	1,313.33	3.1%
Chattahoochee	927	842	874	881	2.1%
Drake	420	409	485	438	1.0%
Enterprise	1,074	1,283	1,375	1,244	2.9%
Faulkner	2,144	2,270	2,221	2,211.67	5.2%
Gadsden	2,840	3,080	3,354	3,091.33	7.3%
Jefferson Davis	613	645	609	622.33	1.5%
Jefferson State	3,148	3,190	3,209	3,182.33	7.5%
Lawson	1,710	1,713	1,908	1,777	4.2%
L. B. Wallace	893	1,001	962	952	2.3%
Marion Military Institute<1>	290	353	400	347.67	0.8%
Northeast	1,119	1,235	1,422	1,258.67	3.0%
Northwest - Shoals	1,967	2,014	2,077	2,019.33	4.8%
Reid	326	329	345	333.33	0.8%
Shelton	3,176	3,196	3,390	3,254	7.7%
Snead	1,143	1,153	1,169	1,155	2.7%
Southern Union	2,925	3,102	3,202	3,076.33	7.3%
Trenholm	666	707	759	710.67	1.7%
Wallace Dothan	1,793	1,939	2,123	1,951.67	4.6%
Wallace Hanceville	2,945	2,966	3,144	3,018.33	7.2%
Wallace Selma	1,017	1,041	1,118	1,058.67	2.5%
Totals:	40,926	41,579	44,078	42,194	100.0%

<1> Marion Military Institute became a public school in 2006. In-state enrollment was estimated from web site statistics

Appendix B - Payments by School for Academic Year 2008/09

Alabama Public Four-Year Universities

School	Number of Enrollments	Semester Hours	% of Total Hours	Fees Paid	Tuition Paid	Total of Tuition and Fees Paid	Average Paid Per Semester Hour	
							Actual	Projected
Alabama A&M University	108	1,355	0.56%	10,320.00	193,765.00	204,085.00	150.62	188.92
Alabama State University	111	1,398	0.58%	41,749.00	221,944.00	263,693.00	188.62	188.92
Athens State University	148	1,439	0.60%	18,649.25	159,765.18	178,414.43	123.99	188.92
Auburn University	5,840	71,571	29.67%	0.00	18,078,128.58	18,078,128.58	252.59	188.92
Auburn at Montgomery	732	7,550	3.13%	18,419.21	1,380,832.50	1,399,251.71	185.33	188.92
Jacksonville State University	664	7,442	3.09%	0.00	1,400,100.00	1,400,100.00	188.13	188.92
Troy State University	1,352	12,861	5.33%	101,920.50	2,276,397.00	2,378,317.50	184.92	188.92
University of Alabama	6,675	82,066	34.02%	0.00	19,300,710.50	19,300,710.50	235.19	188.92
University of Al. - Birmingham	1,708	19,559	8.11%	253,319.31	3,124,541.00	3,377,860.31	172.70	188.92
University of Al - Huntsville	753	8,356	3.46%	0.00	1,732,254.00	1,732,254.00	207.31	188.92
University of Montevallo	571	6,881	2.85%	28,890.98	1,409,145.08	1,438,036.06	208.99	188.92
University of North Alabama	583	7,186	2.98%	119,526.00	1,099,458.00	1,218,984.00	169.63	188.92
University of South Alabama	1,068	12,353	5.12%	178,280.51	1,815,685.90	1,993,966.41	161.42	188.92
University of West Alabama	118	1,190	0.49%	7,625.00	216,797.00	224,422.00	188.59	188.92
Grand Total	20,431	241,205	100.00%	778,699.76	52,409,523.74	53,188,223.50	220.51	188.92
Ratio of Actual to Projected								116.72%

Alabama Public Two-Year Colleges

School	Number of Enrollments	Semester Hours	% of Total Hours	Fees Paid	Tuition Paid	Total of Tuition and Fees Paid	Average Paid Per Semester Hour	
							Actual	Projected
Alabama Southern	34	377	0.73%	6,403.00	26,767.00	33,170.00	87.98	93.31
Bevill State	237	2,204	4.28%	35,509.00	157,605.00	193,114.00	87.62	93.31
Bishop State	64	488	0.95%	6,093.00	34,619.00	40,712.00	83.43	93.31
Calhoun State	773	6,695	13.00%	133,176.00	475,345.00	608,521.00	90.89	93.31
Central Alabama	104	1,035	2.01%	14,724.64	73,485.00	88,209.64	85.23	93.31
Chattahoochee Valley State	60	535	1.04%	7,372.00	37,985.00	45,357.00	84.78	93.31
Enterprise-Ozark	125	1,252	2.43%	19,913.00	87,401.00	107,314.00	85.71	93.31
Faulkner State	296	2,756	5.35%	40,634.20	194,966.00	235,600.20	85.49	93.31
Gadsden State	318	3,181	6.18%	57,513.00	225,851.00	283,364.00	89.08	93.31
Jefferson Davis	25	263	0.51%	4,389.00	18,602.00	22,991.00	87.42	93.31
Jefferson State	1,013	9,062	17.60%	225,701.12	643,289.07	868,990.19	95.89	93.31
Lawson State - Birmingham	113	1,097	2.13%	26,720.68	78,984.00	105,704.68	96.36	93.31
Lurleen B. Wallace	72	710	1.38%	10,526.00	49,700.00	60,226.00	84.83	93.31
Marion Military Institute	13	220	0.43%	4,161.00	39,000.00	43,161.00	196.19	93.31
Northeast Alabama	59	538	1.04%	7,680.00	38,198.00	45,878.00	85.28	93.31
Northwest Shoals	111	1,152	2.24%	23,975.00	81,360.00	105,335.00	91.44	93.31
Shelton State	637	6,202	12.05%	99,693.70	446,508.00	546,201.70	88.07	93.31
Snead State	160	1,616	3.14%	23,721.00	114,736.00	138,457.00	85.68	93.31
Southern Union State	555	6,138	11.92%	102,220.00	435,558.00	537,778.00	87.61	93.31
Wallace State - Dothan	191	1,841	3.58%	28,196.00	130,711.00	158,907.00	86.32	93.31
Wallace State - Hanceville	326	3,401	6.61%	53,219.00	241,494.64	294,713.64	86.65	93.31
Wallace State – Selma	94	727	1.41%	11,989.00	51,617.00	63,606.00	87.49	93.31
Grand Total	5,380	51,490	100.00%	943,529.34	3,683,781.71	4,627,311.05	89.87	93.31
Ratio of Actual to Projected								96.31%

Alabama Public Technical Colleges

School	Number of Enrollments	Semester Hours	% of Total Hours	Fees Paid	Tuition Paid	Total of Tuition and Fees Paid	Average Paid Per Semester Hour	
							Actual	Projected
Drake State Technical College	28	255	25.81%	3,496.00	18,105.00	21,601.00	84.71	93.31
Reid State Technical College	4	51	5.16%	550.00	3,621.00	4,171.00	81.78	93.31
Trenholm State Tech College	68	682	69.03%	10,207.00	48,422.00	58,629.00	85.97	93.31
Grand Total	100	988	100.00%	14,253.00	70,148.00	84,401.00	85.43	93.31
Ratio of Actual to Projected								91.56%

Summary – All Categories

School	Number of Enrollments	Semester Hours	% of Total Hours	Fees Paid	Tuition Paid	Total of Tuition and Fees Paid	Average Paid Per Semester Hour	
							Actual	Projected
Alabama 4-Year Universities	20,431	241,205	72%	778,699.76	52,409,523.74	53,188,223.50	220.51	188.92
<i>Alabama 2-Year Schools</i>								
Community Colleges	5,380	51,490	15%	943,529.34	3,683,781.71	4,627,311.05	89.87	93.31
Technical Schools	100	988	0%	14,253.00	70,148.00	84,401.00	85.43	93.31
Total 2-Year Schools	5,480	52,478	16%	957,782.34	3,753,929.71	4,711,712.05	89.78	93.31
<i>Out of State Schools</i>								
Community Colleges	253	2,476	1%	21,952.01	240,138.76	262,090.77	105.85	93.31
Technical Schools	146	1,757	1%	11,500.16	269,689.37	281,189.53	160.04	93.31
Public Universities	2,640	34,070	10%	224,189.06	5,653,797.29	5,877,986.35	172.53	188.92
Private Colleges	450	6,184	2%	40,400.57	1,044,438.13	1,084,838.70	175.43	188.92
Total Out of State	3,489	44,487	13%	298,041.80	7,208,063.55	7,506,105.35	168.73	179.82
<i>Alabama Private Schools</i>								
Community Colleges	8	70	0%	348.16	12,296.40	12,644.56	180.64	93.31
Technical Schools	102	803	0%	5,287.30	141,601.30	146,888.60	182.92	93.31
Universities	40	348	0%	2,491.70	60,911.24	63,402.94	182.19	188.92
Colleges	1,440	19,901	6%	125,200.71	3,409,520.42	3,534,721.13	177.62	188.92
Total Alabama Private	1,590	21,122	6%	133,327.87	3,624,329.36	3,757,657.23	177.90	184.97
Total 4-Year	25,001	301,708	90%	1,170,981.80	62,578,190.82	63,749,172.62	211.29	188.92
Total 2-Year	5,989	57,584	17%	996,869.97	4,417,655.54	5,133,481.98	89.15	93.31
Grand Total	30,990	359,292	100%	2,167,851.77	66,995,846.36	68,882,654.60	191.72	173.60

Resume of Robert B. Crompton, FSA, MAAA

Bob is a vice-president and consulting actuary in Atlanta office of Actuarial Resources. He coordinates all the services provided to the Board with respect to PACT.

Bob is a leading consultant in the prepaid tuition area. In addition to working with the PACT program, he also currently provides actuarial analysis for over 30% of the prepaid tuition programs in the United States, including:

- Colorado,
- Kentucky,
- Pennsylvania,
- South Carolina and
- West Virginia.

In addition, Bob has also worked with the prepaid tuition programs in Florida, Mississippi and Texas.

Bob's specific assistance to prepaid tuition plans includes the following:

- assisting with plan design;
- assisting with setting appropriate actuarial assumptions;
- developing systems to perform necessary calculations;
- reviewing cash flows for appropriate investment strategy;
- preparing analyses of potential impact of fluctuations in tuition increase, investment income, and change in tax status; and
- presenting results to the program governing bodies.

Bob has published two articles specifically relating to prepaid tuition contracts, "Actuarial Issues for Prepaid Tuition Contracts," which was co-winner of the 1992 Actuarial Education and Research Fund's Practitioners Award and "Financing the Future Generations, An Examination of Prepaid Tuition Plans," published in the American Academy of Actuaries' magazine *Contingencies*.

Bob has over 25 years of actuarial experience. Prior to working at Actuarial Resources, Bob worked at Ernst & Young for 14 years. Bob is a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. He has a Bachelor of Science degree in Economics from Harding University.